



**vRoam Australia's submission to the ACCC  
on the Mobile Services Review 2003**

12 June 2003

## 1. INTRODUCTION

vRoam welcomes the opportunity to make a submission to the ACCC's consideration of mobile services. This submission will focus on mobile roaming issues. vRoam would be happy to participate in any public hearings or other opportunities to comment on these issues.

vRoam Australia Pty Ltd is a global service provider specialising in mobile roaming. vRoam is an Australian company with partners and representatives in various parts of the world.

vRoam specialises in providing telecommunications services to people travelling into and out of Australia.

As a mobile industry participant with specific interest in International Mobile Roaming, vRoam's submission is solely focussed on the section dealing with International Intercarrier Roaming.

## 2. EXECUTIVE SUMMARY

vRoam does not support retail price control arrangements as a means to enhancing the long term interest of consumers. vRoam believes that the long term interests of consumers are best served by the creation of an environment where competition and innovation are encouraged. This environment can be created by requiring carriers to provide a greater level of information and transparency in retail pricing.

vRoam recognises that the prices for roaming services are high. In part this is driven by limited competition at the wholesale level. However, we would argue that there is competition at the retail level from other roaming products and near substitutes.

Retail price controls would limit competition in that market and restrict product innovation. Greater transparency (such as might exist under a Code of Practice) would have the twin benefits of:

- allowing consumers to make more informed choices; and
- putting downward pressure on prices, including at the wholesale level, (by encouraging competition and shedding light on unwarranted charges).

### 3. INTERNATIONAL INTERCARRIER ROAMING

#### INTRODUCTION

The discussion paper describes International intercarrier roaming (international roaming) as *“a facility, supported by commercial arrangements between operators or service providers, which enables a subscriber to use his/her mobile phone in another country on any other network which has entered into a roaming agreement for both outgoing and incoming calls”*

vRoam submits that the International Mobile Roaming market is far broader, encompassing a whole host of alternative, substitute and complementary services. The market includes services such as plastic roaming, SIM-only service providers, call-back operators, calling cards, and phone rental companies as well as intercarrier roaming

Whilst recognising that this section of the ACCC review is focused on “International Intercarrier Roaming” it is important to recognise, that in the long term interest of consumers, greater transparency and awareness of all available options, rather than retail price controls, will result in a more competitive environment

#### INFORMATION AND GUIDES

Information about service availability and user guides is generally available from the carriers but information about the costs is superficial. Where actual costs are provided these are disclaimed “Note: Prices quoted are a guide and are subject to change without notice by the foreign network operator. Exact charges will vary depending on international exchange rates. Surcharges and foreign taxes may be applied.” [Telstra]

Whilst vRoam understands and acknowledges the practical problems confronted by carriers in accurately stating roaming costs, providing the most accurate information possible is critical for the consumer to make an informed decision. It should be possible to provide more accurate information than is currently offered (see below).

Lack of useful information is the biggest inhibitor of competition and long term consumer benefit.

#### PLASTIC ROAMING

In reference to Vodafone the paper states *“In some countries, Vodafone Australia does not have roaming agreements with mobile operators. However, Vodafone UK has roaming agreements with operators in these countries. In these instances, Vodafone Australia can provide customers with a Vodafone UK subscriber identity module (SIM) card. This service is known as ‘plastic roaming’. While this allows customers the ability to use their own handset, they are assigned a different mobile number.”*

The Commission should be aware that there are other competitive roaming products and services in the market. vRoam’s Virtual Roaming solution may also be described as ‘plastic roaming’ however in relation to our service the phrasing “While this allows customers the ability to use their own handset, they are assigned a different mobile number” is not strictly correct. vRoam subscribers are not simply assigned a different mobile number, but rather an additional

mobile number. vRoam's Follow Me service allows the customer to remain contactable on their Australian mobile number as well as the foreign mobile number.

There are a number of advantages as a result of this solution.

1. The customer remains contactable on their Australian mobile number using vRoam's Follow Me service
2. The user may be called in the visited country without the call having to be routed via the Australian mobile number
3. Two (or more Australians) calling each other when travelling together avoid the cost of two international calls.
4. Inbound calls directly to the foreign number are free to receive in most countries
5. The cost of receiving a call may be reduced by using vRoam's Follow Me service
6. There is no impact on the users normal mobile service in Australia

## MARKET SIZE

In terms of market size, vRoam's experience and discussion with users indicate that a large number of travellers do not use roaming services as defined. Instead, they are relying on alternatives and substitutes such as calling cards and overseas prepaid mobile SIM cards. This trend is evident in household, small business and corporate consumers.

This highlights the point that the total international mobile roaming market is in fact bigger than the limited definition of "intercarrier roaming".

vRoam believes that price controls in one part of the market would limit service innovation. Ideally consumers should have the option of roaming using their handsets with numbering flexibility such as that provided by vRoam's Follow Me service. Price controls may limit service providers' capacity to offer these and even more sophisticated products.

## PRICING

While it is interesting that Telstra charges 30% on cost for outbound roaming it does not provide the customer with any real indication of what the actual costs are expected to be. The IOT rate is not published nor is Telstra's (or any other carrier's) negotiated discounts / mark-ups by the overseas roaming partner.

The usual disclaimer is "Note: Prices quoted are a guide and are subject to change without notice by the foreign network operator. Exact charges will vary depending on international exchange rates. Surcharges and foreign taxes may be applied." [Telstra]. This implies that Telstra is not aware what the costs will be. vRoam contends that the IOT rate is available to the Network, the bilateral terms are known and the only area where fluctuations may occur is in exchange rates.

The most important conclusion, however is that the consumer is not able to make an informed decision about what their expected cost may be and whether an alternative service may be of benefit.

Greater transparency might also have the effect of reducing prices where carriers cannot justify a high mark up above the IOT rate. On the other hand, if there were value added services

available, higher pricing might be attractive to consumers. Again consumer benefit is created by requiring transparency while preserving the flexibility which allows for or encourages service innovation. Price controls will not achieve this balance.

## INTUG COMMENTS

The discussion paper notes *“The International Telecommunications Users Group (INTUG) has argued in several international forums that:*

- *wholesale international roaming charges are not cost-oriented;*
- *there are no market pressures on wholesale prices – they are determined by administrative means among operators (i.e. through the GSM Association and bilateral agreements rather than through competitive processes);*
- *home operators add excessive charges to the wholesale prices before billing their retail customers; and*
- *home operators do not make pricing information readily available and understandable to users.”*

In general vRoam supports the arguments made by INTUG, with particular support of the comment “home operators do not make pricing information readily available and understandable to users.”

## EUROPEAN COMMISSION FINDINGS

The paper points out that some of the findings from the EC inquiry relevant to the markets for international roaming were that:

- *“there is a lack of price competition in the retail market as a consequence of similarities in mark-ups over the wholesale IOT rate (in the majority of EC Member States, the home operators in the same market applied mark-ups of between 10 and 35 per cent over the IOT, resulting in similar retail prices within that market. This contrasts with considerable variations in retail prices for non-roamed calls within the Member States); and*
- *consumers receive little information about the price for international roaming at a time which would allow them to manually switch between different networks.”*

In the Australian market it is difficult to determine the level of variation in retail prices for roaming calls because of the lack of quoted rates (except to a limited extent by Telstra).

The European Commission findings also concluded *“...that the structure of the wholesale market appears to give mobile operators collective dominance. Features of the wholesale market structure which may give them collective dominance include high concentration ratios; a homogenous product in roaming; similar cost structures; high barriers to entry; and low price elasticity of demand.”*

vRoam’s experience in the Australian market is that the argument suggesting low price elasticity of demand is in fact not correct, and many consumers ARE very concerned about the high cost of roaming and bemoan the oligopolistic structure of the mobile market. . More so since retail roaming rates are not freely available and are subject to change (without notice). They are not available when attempting to make an informed decision about selecting a mobile phone carrier.

The fact that a number of substitutes are used or sought out by Australian consumers indicates that many consumers have a higher price elasticity of demand.

## OFTEL FINDINGS

*“OfTel considered that competitive pressure on the price for international roaming calls was weak and can be attributed to the lack of consumer awareness about the price and the structure of the wholesale international roaming market. With regard to the price of international roaming, OfTel conducted a consumer survey which found that:*

- *23 per cent of consumers had knowledge of the price of using their mobile phones overseas when they first purchased their phone; and*
- *of those consumers who use their mobile phones overseas frequently:*
  - *21 per cent have no knowledge of whether they pay for incoming calls; and*
  - *10 per cent were certain they did not have to pay for incoming calls when roaming overseas (when all consumers who receive incoming calls while abroad do have to pay for that incoming call).*

vRoam’s experience in Australia supports the OfTel findings that consumer knowledge is poor and that the carriers do very little to assist consumers in making informed decisions.

The OfTel review found further that at the retail level “...that there does not appear to be many barriers to competition as SIM-only providers of international roaming services exist and may place competitive pressures on international roaming prices. OfTel believes, therefore, that the lack of competitive incentives occurs mainly at the wholesale level.”

vRoam is such a SIM-only provider of international roaming services and offers an extremely competitive product to the retail market. However, retail price transparency is required for SIM-only providers and other substitute services to compete effectively.

## AUSTRALIAN SITUATION

The discussion paper comments *“Given the apparent large mark-up at the retail level here in Australia, the Commission questions whether the same retail pricing constraints exist in Australian markets. In this regard, the Commission is interested in whether consideration should be given to including retail international roaming charges under retail price control arrangements in Australia.”*

vRoam as an Australian SIM-only provider and other alternative and substitute service providers place competitive pressure on retail international roaming prices.

The more significant factor in retail pricing is the lack of competitive market pressure as a result of the absence of information available to the consumer.

vRoam contends that including retail international roaming charges under retail price control arrangements in Australia may succeed in reducing the retail price of roaming calls, in the short term, but only to the extent of the home country mark-up.

Using New Zealand as an example:

A roaming call to Australia from New Zealand (Telstra's indicative rates June 2003) is \$3.84 this includes Telstra's 30% mark-up – i.e. the cost to Telstra is \$2.95.

If Telstra's mark-up was limited to say 20% under retail price control arrangements the effective price to the consumer would be \$3.54 providing a reduction in price of approximately 8% to the consumer.

vRoam's average saving of 30% against Telstra's quoted roaming rate cannot be achieved by price controls imposed on Telstra (or Optus / Vodafone). vRoam retail price of \$2.57 per minute is below Telstra's derived cost.

## THE COMMISSIONS APPROACH

*“... the Commission has initiated liaisons with, and has sought the views of, a number of national regulatory authorities in the Asia-Pacific Economic Cooperation (APEC) region in order to explore coordinated regional approaches to international roaming issues.”*

It is important to note that other enquiries such as those initiated by OFTEL and the European Council have only achieved limited success in restraining wholesale prices but have had significantly more success in requiring greater transparency and disclosure in regard to retail pricing.



#### 4. SUBMISSION

##### IS THERE COMPETITION AT THE WHOLESALE LEVEL FOR INTERNATIONAL ROAMING SERVICES FOR INBOUND ROAMING SERVICES?

Only a network carrier can offer 'seamless' inbound roaming services to foreign carriers. This limits competition to Telstra, Optus and Vodafone.

vRoam offers an inbound virtual roaming ('plastic roaming') service for travellers to Australia. This is offered as a wholesale service to overseas carriers and service providers.

##### TO WHAT EXTENT ARE AUSTRALIAN CONSUMERS AWARE OF THE STRUCTURE OF INTERNATIONAL ROAMING CHARGES? and DOES THE CONTENT AND DISTRIBUTION OF INTERNATIONAL ROAMING 'FACT SHEETS' ASSIST END-USERS TO MAKE INFORMED CHOICES WHEN USING THESE SERVICES, AND ASSIST IN PROMOTING COMPETITION IN THESE MARKETS?

vRoam's conclusion based on customer interviews and sales calls indicate that Australian consumers do roam when travelling and are aware the roaming costs are more expensive than calls within Australia. However, very few consumers know the actual cost of calls.

More importantly the consumer has little ability to determine what costs are and what alternatives are available. This is as a result of limited publicly accessible information from the carriers (and governmental, regulatory and consumer organisations such as the ACCC, ACA and TIO), limited understanding by call centre staff and disclaimers that say prices are only indicative.

The most publicly accessible source is the carrier's website and call centre.

Optus provides no information as to the cost of roaming on its website. The only publicly accessible information on the website is a list of countries where Optus subscribers may roam. Enquiries from Optus' call centre provide indicative costs of roaming in various countries but no comparative rates for the various carriers nor any advice on carrier selection. Vodafone and Telstra's websites provide details of cost for each roaming partner for various types of calls. In Vodafone's case rates quoted are in the foreign currency.

It is particularly interesting to note that consumers perceive that the most expensive element when roaming is having to pay for an incoming call. There is very little understanding about the costs of roaming and the only known element is that the subscriber will now pay for incoming calls. Consumers generally expect that the cost of outgoing calls will be at or close to their Australian rates.

The perceived cost of receiving a call versus making a call is in fact incorrect. Once again using New Zealand as an example:

The cost of receiving a 1 minute call in New Zealand as a Telstra customer	A\$0.48
Making a local 1 minute call in New Zealand as a Telstra customer	A\$1.99
Making a 1 minute call to Australia from New Zealand as a Telstra customer	A\$3.84

vRoam finds many cases where consumers who are roaming tell the caller that they will call them back (at 8 times the rate in New Zealand's case) merely because they are unaware of the costs.

The cost of roaming is particularly high when two colleagues are travelling together and need to call each other. - The caller would need to make an international roaming call to Australia and the receiving party would pay for an incoming call at a total cost A\$4.32 for a 1 minute call. (With vRoam this would have cost A\$1.44)

The other significant area of cost where very limited information is available is the area related to voicemail.

Voicemail and missed calls are often the biggest expenses on a roaming account. In Telstra's 17 page guide to roaming it does state that if calls are forwarded to voicemail when busy or unavailable the caller would be subject to a call to the overseas country plus a call back to Australia, but it does not show the effect of this:-

Cost of call to New Zealand as a Telstra customer	A\$0.48
Unanswered call returned to Australian voicemail	A\$1.99
Making a call to Australia to retrieve voicemail	<u>A\$1.99</u>
Total Cost	<u>A\$4.46</u>

(With vRoam the total cost would be A\$1.82)

Advice is often given by call centre staff that roamers should unconditionally divert their mobile phones to voicemail. The effect of this is that they are never contactable while roaming and the costs mean that instead of paying A\$0.48 to receive a 1 minute call in New Zealand. The subscriber would receive an SMS that they had voicemail, then incur a cost of A\$1.99 per minute to retrieve the voicemail and pay another A\$1.99 per minute to return the call once they had received the message, (if required).

Selection of carrier often makes significant difference to cost when travelling. vRoam has found from customer interviews and sales calls that consumers believe they will pay the lowest cost if they use an associated company's network when roaming. This conclusion is often wrong. For example a Vodafone Australia user travelling to Italy would pay more using Vodafone's network than either of the other two networks with which Vodafone has roaming agreements. In Portugal the same Vodafone user would pay more than 5 times as much per call to use Vodafone's network rather than another Portuguese network.

IS REGULATION OF INTERNATIONAL ROAMING SERVICES NEEDED IN AUSTRALIA? IF SO, WHAT FORM SHOULD IT TAKE?

vRoam does not support retail price control arrangements as this is not in the long term interests of consumers and competition. In the roaming environment additional efficiencies can only be achieved by competitive market pressures. These pressures can only come from consumers who are informed and in a position to evaluate from a range of options from Telstra, Optus, Vodafone and alternative services.

vRoam therefore supports the view that Telstra, Optus and Vodafone subscribe to a Code Of Conduct For Information On International Roaming Retail Prices much like the GSM Europe Code. vRoam would encourage the ACA and ACCC to continue discussions with

regional regulatory authorities to have the code implemented in as many countries as possible.

Key aspects of the Code should be as follows.

- Quoted tariffs should be updated at least once a month if changes occur. Where published tariffs are indicative, this should be clearly indicated to the consumer.
- Information available via the customer service number and website of the home operator should include:
  - Tariff per minute of a call to a fixed number within the visited country;
  - Tariff per minute of a call to a mobile number within the visited country [if different from call to fixed number];
  - Tariff per minute of a call to a fixed number in the home country;
  - Tariff per minute of a call to a mobile number in the home country [if different from a call to a fixed number in the home country];
  - Tariff of receiving a call on the visited network when applicable;
  - Tariff of sending and receiving an SMS on the visited network when applicable;
  - Information on whether unanswered calls are charged;
  - Information on which charging units applies and whether set up charges are applicable;
  - Numbers and, where appropriate, website addresses of customer care and information services of the visited network (for instance directory services);
  - Additional information such as: network display name or code, type of network (900/1800), country code, availability of existing data services and general information with regard to coverage;
  - Tariffs should state whether they are inclusive or exclusive of GST. If GST is exclusive the GST rate should be indicated;
  - Information on peak and off peak times, if appropriate, for each roaming partner;
  - Making customers aware that not all operators grant access to toll free numbers to visitors. If access is granted it should be specified whether these numbers are charged or not, in order for the roaming customer to know that he may be billed for the call.
  - Where available, information on, and any additional charges for, high speed data, WAP services, prepay roaming and value-added services;
  - Information on Inter-standard roaming.
- Tariffs should be provided in Australian Dollars (home currency).
- On the home page of the operator's website a clearly visible link shall be provided to a section containing roaming information. Alternatively, there can be a general link to tariff information on the home page; roaming information should then be a clearly labelled sub-category
- Customers should be able to print information
- Operators should indicate that for information on geographical worldwide roaming coverage, customers can access the GSM association world website at the following web address: [www.gsmworld.com](http://www.gsmworld.com), or, alternatively, on the home page of the operator
- Information via printed material
  - Operators should provide information on roaming via different printed means of their choice such as leaflets, brochures, roaming guides, billboards, etc.

- This information could be communicated in different ways such as including or attaching such information in or to the bill, at border points of entry/exit, in retail outlets or by any other means that operators consider appropriate.

## 5. CONCLUSION

vRoam supports the efforts of the ACCC in its review of retail mobile pricing. In general vRoam would like to see a much greater effort applied by the Mobile Industry in providing information about rates to consumer with particular reference to international roaming.

If the Commission requires any further information vRoam would be happy to assist in any way possible.